

Message Text

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ACTION OPR-02

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 3215

UNCLAS KINGSTON 6953

E.O. 11652: N/A

TAGS: ECON, ALOW, JM

SUBJECT: COST OF LIVING RISING SHARPLY IN JAMAICA

REF: (A) KINGSTON A-30, (B) RETAIL PRICE SCHEDULE OM
TO A/ALS DATED AUGUST 9

1. THE COST OF LIVING FIGURES FOR JUNE 1978 PUBLISHED IN THE CONSUMER PRICE INDICES STATISTICAL BULLETIN SHOW A 13.3 PERCENT RISE OVER THE MAY 1978 LEVEL TO A NEW INDEX OF 178.7 (ALL ITEMS JAMAICA). THE CONTRAST BETWEEN THE MAY/JUNE 1977 FIGURE OF A 2.7 PER CENT RISE AND THE MAY/JUNE 1978 OF A 13.3 PER CENT RISE IS NOTEWORTHY. THE MOVING ANNUAL AND QUARTERLY RATES OF INCREASE OF THE INDEX ROSE TO 37.5 PER CENT AND 22 PER CENT RESPECTIVELY. THE MONTH-TO-MONTH, QUARTERLY AND ANNUAL RATES OF INCREASE REVEAL RAPID ACCELERATION IN COST OF LIVING RISES. THERE IS NO EVIDENCE TO SUGGEST THAT THIS SITUATION WILL IMPROVE. ON THE CONTRARY, EXPECTATIONS ARE THAT THE PRICE ESCALATION WILL CONTINUE OR EVEN WORSEN. THE INFLATIONARY EFFECT OF THE MAY 1978 15 PER CENT DEVALUATION OF THE JAMAICAN DOLLAR HAS NOT YET WORKED ITS WAY THROUGH THE ECONOMY. THE SHARP RISES IN THE INDICES IN JUNE REFLECT THE INITIAL RESPONSE TO THE RECENT DEVALUATION, TO THE GOVERNMENT'S NEW TAXATION MEASURES ANNOUNCED BY FINANCE MINISTER BELL ON MAY 9, WHICH INCLUDE A PURCHASE TAX RANGING FROM 15 TO 27 PER

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CENT AND HIGHER IMPORT DUTIES. DURING JUNE ALSO THE PRICES OF SOME CONTROLLED ITEMS WERE INCREASED BY THE PRICES COMMISSION AND OTHERS WERE REMOVED FROM THE CONTROLLED LIST ENTIRELY. A MONTHLY "CRAWLING PEG" 1 1/2 PER CENT DEVALUATION WILL CONTRIBUTE TO PRICE RISES PARTICULARLY FOR IMPORTED GOODS.

2. OF THE EIGHT CATEGORIES LISTED IN THE CONSUMER PRICE INDICES (SEE REF. A), SIX RECORDED SIGNIFICANT INCREASES MAY/JUNE 1978 AS FOLLOWS:

A) TRANSPORTATION	20.5 PER CENT
B) FUELS AND OTHER HOUSEHOLD SUPPLIES	18.8 PER CENT
C) PERSONAL EXPENSES	15.1 PER CENT
D) FOOD AND DRINK	15 PER CENT
E) HOUSEHOLD FURNISHING & FURNITURE	15 PER CENT
F) PERSONAL CLOTHING AND ACCESSORIES	12.5 PER CENT

MISCELLANEOUS EXPENSES AND HOUSING SHOWED RELATIVELY MODEST INCREASES.

3. FOR A/ALS: EMBASSY RETAIL PRICE SURVEY (SCHEDULE SUBMITTED VIA REF.B) WAS CONDUCTED DURING JUNE 1978 AND THEREFORE COULD ONLY REGISTER A SMALL PART OF THE UPWARD PRICE SPIRAL THEN UNDERWAY IN JAMAICA AND REFLECTED IN JUNE FIGURES CITED. STATISTICS ARE NOT YET AVAILABLE FOR JULY AND AUGUST, BUT AS NOTED THE PACE OF COST-OF-LIVING RISES HAS QUICKENED CONSIDERABLY OVER THIS PERIOD. THE 2-4 MONTH LAG IN STATISTICS HANDICAPS EMBASSY KINGSTON IN KEEPING CURRENT ON CONSUMER PRICES. THE EMBASSY WILL THEREFORE SUBMIT A NEW DSP-23 (RETAIL PRICE SHCHEDULE) IN THE NEAR FUTURE IN THE BELIEF THAT A COLA IS JUSTIFIED FOR THIS POST.

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